

# **PART I**

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## **CREATING VALUE AND ASSESSING PERFORMANCE**



# Chapter 1

## DEVELOPING A STRATEGIC SERVICE VISION

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### **IN THIS CHAPTER**

*Understanding the strategic service vision*

*Defining the value equation*

*Involving multiple constituencies in the strategic service vision*

*Satisfying conflicting constituencies*

*Considering the implications for social entrepreneurs*

Social entrepreneurs come from a wide variety of backgrounds, they have widely varying interests, and they apply their talents to an equally broad set of challenges. But those who are *truly* successful share at least one thing in common: They have a strategic service vision. Consider these people:

- Dr. Byrnes Shouldice—treating wounded soldiers in World War II, and applying principles learned from veterinary and pediatric medicine—found that patients who take responsibility for their own recovery early in the process not only recover faster but recover with a greater degree of success. He built an extremely successful medical/surgical service around the idea.
- Commissioner William Bratton—as head of the New York Police Department from 1994 to 1996—developed a strategy around the concept that crime could be managed and that a police force should measure, manage for, and reward results rather than effort—a concept that bordered on the heretical among many criminologists and sociologists at the time. As a result, New York City became one of the safer U.S. cities after only a few short years under his leadership.

- Frances Hesselbein—as executive director of the Girl Scouts of the USA between 1976 and 1991—led the organization through a transformation centered around the concept of the individual girl as the client, with all planning, organization, and implementation directed toward helping each Girl Scout achieve her full potential. The organization achieved these goals while broadening its ethnic and racial constituency.
- Bill Strickland, Jr.—founder of the Manchester Craftsman’s Guild in his native Pittsburgh—has implemented a vision intended to help at-risk youth achieve recognition in their community through the study, production, and display of art in a setting in which excellence in surroundings as well as execution communicates a stronger set of messages than their more traditionally oriented public school teachers were able or willing to do.

**core  
concept**

While these social entrepreneurs represent different backgrounds, interests, and efforts directed to varied challenges, they all share a common philosophy, something I have called a *strategic service vision*—a set of ideas and actions that maximizes the leverage of results over efforts directed toward well-defined targets and supported with highly focused operating strategies.<sup>1</sup>

Entrepreneurs, whether in the for-profit or the social sector, build visions around core ideas. At the outset of their efforts, however, they are unable to foresee and plan all elements of strategies with which to achieve their goals. As James Collins and Jerry Porras have suggested in their book, *Built to Last*, they try a lot of things and keep what works.<sup>2</sup> The end result is made up of a number of self-reinforcing, internally consistent elements—a thing of beauty. But we often forget that the process by which it is achieved requires not only great ideas but the willingness on the part of a leader with stamina and determination to engage in a great deal of trial and error, another common trait of social entrepreneurs.

Having a framework to guide such trial and error can make the process more efficient. Hence the importance of the concept of a strategic service vision. This framework has evolved from my efforts to document factors in the success of outstanding entrepreneurial endeavors, those that have literally changed the standards for performance in their chosen fields. The original inspiration for this effort was an opportunity to observe the workings of a hospital in the suburbs of Toronto, Canada.

The Shouldice Hospital was and is a highly focused institution. It does one thing well: It fixes one type of hernia experienced predominantly by men, the inguinal hernia. And it does it with a recurrence rate that is about one-twelfth the rate of the average of North American hospital. It has come to represent the apotheosis of a social “focused factory,” using a term from the production management literature to denote an organi-

zation, process, or facility designed to do one thing very well.<sup>3</sup> It places a great deal of emphasis on self-help and camaraderie among patients, offering a social as well as a medical experience. In fact, many of its patients don't want to leave the hospital at the end of their three to four day stay. The working lifestyle of its employees is also addressed, with an emphasis on counseling as opposed to some of the more menial nursing tasks and a regular operating schedule for surgeons. And to complement the strategy, the "hospital" is much like a country club, equipped with facilities to encourage patients to exercise constantly in order to hasten their recovery.<sup>4</sup>

Although social entrepreneur Byrnes Shouldice and his successors may not have known it, as the hospital's strategy slowly took shape over several decades, it had developed a number of concepts that illustrate what I have come to call a strategic service vision, a framework that has now been tested against best practice in many organizations and actually used as the basis for developing strategic direction for profit-making and not-for-profit organizations alike.

## THE STRATEGIC SERVICE VISION

Entrepreneurs employing a strategic service vision target their markets very carefully, both in demographic and in psychographic terms. For years demographics (age, education, income, etc.) have been used for this purpose, probably because the information, while not always of high relevance, was more accessible. Recently more effort has been made to collect information regarding psychographics (lifestyle, likes and dislikes, fears, etc.), which can have higher relevance than demographics. For example, at Shouldice, it is important to know a person's height-to-weight ratio as well as general health characteristics in order to assess the risks associated with a surgical procedure. The hospital screens for these factors, often recommending a diet to overweight aspirants for the operation. However, Dr. Byrnes Shouldice learned early on that many of his patients selected his treatment, originally carried out in a house in downtown Toronto, because of word of mouth about the effectiveness of patients taking charge of their own recovery, beginning with their walk from the operating table on his arm.

## SHOULDICE HOSPITAL'S OPERATING STRATEGY

Today Shouldice Hospital is not for all clients, particularly those who do not wish to travel to Toronto, those who don't have the time to become involved in the Shouldice experience, those who are not interested in the

social aspect of the service, and those who are not particularly risk-averse. For them, same-day outpatient surgery at or near their home is preferable. But nearly 8,000 people make the trek to Toronto from all over the world annually, often queuing for weeks on the hospital's waiting list to do so.

As a result, Shouldice has positioned itself to meet the needs of a targeted group of clients who self-select (both physically and psychologically) into its service.

Nor is Shouldice for all employees. Surgeons work in teams and perform essentially the same relatively simple operation over and over. They have to take a great deal of pride in their work, enjoy working with patients, value regular operating hours, and have a high tolerance for boredom. Staff members self-select themselves into Shouldice just as patients do.

For patients, Shouldice offers both a high probability of operating success and an enjoyable social experience. For employees, it offers a high-quality, team-oriented, somewhat democratic working environment at above-market wages. These are neither products or services; they are results. One of the real lessons from observing this organization over time is that, consciously or not, it has developed a service concept (similar to a business definition) based on results, not products or services. It reflects what clients of a wide range of organizations have told us repeatedly: that they primarily buy results, not products or services.

**core  
concept**

In order to achieve these results, Shouldice has designed a process for achieving them, something we have come to term an operating strategy. Further, it's an operating strategy that leverages results over costs.

For clients, Shouldice involves them in their medical procedure from start (self-diagnosis) to finish (self-recovery). In the meantime, it creates a social atmosphere in which patients counsel each other and provide peer pressure for involvement in activities requiring exercise, critical to recovery. This is economic in two ways: It both costs little and actually substitutes client labor for staff labor. The hospital's focus on one kind of operation assures the repetitive work that contributes to outcome quality throughout medicine. For staff, Shouldice defines jobs that are pleasant, encourage teamwork, and provide ample compensation for regularly scheduled work. The result is a productive and relatively low-cost leveraging of results over costs for both clients and staff.

## SHOULDICE HOSPITAL'S SOCIAL DELIVERY SYSTEM

All of this is supported by a service delivery system designed to complement the operating strategy. It starts with the physical facility, a former estate situated on ample, well-manicured grounds. And it continues with furnishings not reminiscent of a hospital as well as devices, such as stairways with low risers, to facilitate patient mobility and exercise.

Real social entrepreneurship addresses each of the several constituencies important to a not-for-profit organization. In the case of Shouldice, for example, we have seen how it has been applied to both patients and staff. The needs of families of young children being treated at Shouldice are addressed as well, with free accommodations provided for them. In the spirit of the strategic service vision, it should be noted that this also reduces care costs for a group of patients who often require a great deal of attention; their parents provide the care.

**tool of  
the trade**

Dr. Byrnes Shouldice and his successor provide a working example of the strategic service vision, diagrammed in Exhibit 1.1. Since becoming aware of Shouldice, I’ve encountered a select group of entrepreneurs who understand implicitly these concepts and employ them to deliver superior results at low cost, proving that quality doesn’t have to be traded off against costs in delivering a service. In fact, in a majority of cases, the handful of “breakthrough” service organizations they have created has actually changed the rules by which service is delivered in their respective industries, whether for-profit or social in purpose.

The strategic service vision provides a framework for developing a set of shared “core” values, practices, and measures as part of an overall

	Target Market	Service Concept	Operating Strategy	Service Delivery System
Patients	Well “connected” to medical info network “First movers” Value time, well-being Reliant on recommendations of others Ambulatory “Low risk” surgery candidates	High-quality, low-cost medical outcomes Memorable social experience Membership in a life-long “club”	Effective medical techniques Focus on doing one thing well High involvement of carefully-screened patients Quality control: Doctors fix own mistakes Profit sharing incentives	Non-hospital, country club setting Only a few ties that encourage exercise, recovery -Recreation -Communal, TV, phone -Extensive walking paths Building design to facilitate climbing stairs
Employees	Competent Non-innovative Seeking “non-medical” lifestyle	Regular hours Good pay A “high satisfaction” environment Good jobs	Controlled schedule Job sharing Good pay/good margins Teaming	Communal dining Pleasant working environment

**EXHIBIT 1.1** Shouldice Hospital—Strategic Service Vision

strategy. But how do entrepreneurs implement the strategy? For this we focus on the operating strategy and a concept my colleagues and I have come to call the value equation.

## THE VALUE EQUATION

Whether purchasing a product or service, entering into an employment agreement, or making a grant to a not-for-profit organization, people want value. But just what is value? While social entrepreneurs rarely take time to define it, they implicitly understand and endeavor to deliver it. The *value equation*, based on extensive observation, makes an effort to define it. It can be depicted as:

**core concept** Value (for clients, staff, volunteers, donors, etc.) =  $\frac{\text{Results} + \text{Process Quality}}{\text{Cost} + \text{Ease of Access}}$

This doesn't, of course, include all the considerations involved in a particular transaction, but it highlights the most important ones. The experience of the New York Police Department, under the leadership of Commissioner William Bratton between 1994 and 1996—which we'll refer to throughout this section—clearly illustrates these concepts.<sup>5</sup>

### PUTTING THE VALUE EQUATION TO WORK AGAINST CRIME

**reality check**

Even though crime in New York City had peaked in 1990, it was still a major concern as the Giuliani administration took over on January 1, 1994. The city had the reputation of being a high-risk environment for citizens and visitors alike. Citizens wanted reduced crime. But ironically, most of the police department's measures for performance had to do with effort (number of 911 calls answered, speed of response, etc.) instead of results. In fact, police departments around the world were being run primarily to deliver effort, largely based on a conclusion—supported by criminologists and sociologists, and others—that crime was largely a product of economic conditions such as high unemployment and low income and could not be managed to lower levels. Many on the department's police force, including a number of Bratton's 76th Precinct commanders, agreed. His challenge was to convert an organization managed for effort to one managed for results.

Bratton's first challenge was to redefine the responsibilities of precinct commanders to place primary emphasis on crime reduction, something that might seem remarkable to those not knowledgeable about police work. The next challenge was to populate the position

with commanders who believed it *could* be done and to transfer to other jobs those who didn't think a 10 percent reduction in crime could be achieved in the first year. Results rather than effort thus became the focus for citizens and employees alike. This required, among other things, measuring for results (percentage reductions in major crimes), giving people the tools to achieve them (better equipment, better information, and better procedures and policies), and recognizing people for achieving them.



But results at all costs? As one of Bratton's predecessors commented, crime could have been reduced under his administration. All that would have been required would have been a suspension of the Constitution, something that few citizens would tolerate. This raises the issue of process quality, the second element of the value equation.

## THE ROLE OF PROCESS QUALITY

Process quality has received perhaps more attention than any other element of the value equation, primarily from a number of researchers interested in service marketing.<sup>6</sup> The primary findings of this research are that there are five elements of service quality of greatest importance to customers. They are:



1. Dependability (doing things you say you will do)
2. Timeliness (doing them when you say you will do them)
3. Authority (doing them in ways that tell customers you know what you are doing)
4. Empathy (doing them with an eye to the needs of customers)
5. Tangible evidence (doing them in a way that lets customers know a service has been performed).

Elements of process quality clearly place limits on ways that a police department might deliver value to its constituents, particularly if the constituents include citizens under suspicion and even criminals.



At the NYPD, it led to the creation of an initiative to counter police brutality, an initiative that was incomplete at the time of Bratton's departure from the department but one whose importance was underlined by several recent incidents of alleged police brutality in New York. The initiative led directly, however, to a revised curriculum at the Police Academy for new recruits, one stressing the

(continued)

importance of techniques for carrying out one's duty without crossing process quality boundaries. Going one step further, the department was attempting to change the civil service exam structure for police work, stressing the importance of attitude among applicants, many of whom were applying for police work under the misguided motives of obtaining greater power and being allowed to carry (and possibly use) weapons.

In poll after poll, citizens stressed the importance of being able to have a police presence in their neighborhoods. This was a reaction to "squad car" patrolling in which teams of police covered wide areas in vehicles, rarely spending much time in any one neighborhood and becoming familiar with residents. In one way or another, citizens were stressing the importance of low "access costs," costs required to access a service. In this case, the cost might be measured in terms of time required to arrive at the scene of a crime or the time required to call for police help. But of course access to police assistance often does come at a price, the price of additional personnel. In the case of the NYPD, it had to be achieved within a relatively constant (and at times even a declining) budget.

This required the use of new techniques to reduce the cost of policing and the number of personnel needed to deliver a particular result. The subsequent "reengineering" of the department led to a number of improvements designed to free up a larger proportion of personnel to patrol the streets of New York. For example, legal processes were redesigned to allow police personnel to testify in trials by remote video, rather than spending hours (often on overtime compensation) waiting on the pleasure of a judge and the court to hear their testimony. Perhaps the most sweeping redesign of processes intended to concentrate police activity on the most-needed crimes and locations involved the creation of ComStat, a computer-driven information system combining information about the location of criminals, crimes, and instruments of crime, the three factors providing the most predictive capability regarding potential crimes and ways of preventing them before they might occur. This system, combined with weekly meetings to discuss results and specific initiatives designed to achieve them, led to a significant refocusing of the department's efforts on crime "hot spots," in itself a controversial means of achieving greater "customer access" to protection.

Repeatedly, the department encountered political obstacles to its need to reapportion effort and human resources to those areas of highest crime. The argument that a reduction in crime in one part of the city contributed to a better quality of life throughout the city too often fell on deaf ears when received by politicians who perceived a potentially high political risk if they were to concur with schemes that could involve the diversion of police coverage from their neighborhoods to high-crime areas.

This fact suggests the complexities that arise when a complex network of constituencies must be served, typical of many nonprofit organizations. Compared to the typical customer-supplier-investor set of important for-profit constituencies, most not-for-profit managers have a far more complex set of needs to serve. Nevertheless, value equation thinking can help in sorting out the constituencies and their needs in ways contributing to effective decision making. In the case of the NYPD, effort was brought to bear on high-crime areas by assigning newly minted Police Academy graduates to those areas before they received their more permanent assignments to other precincts in the city. Where there is a will and a strong enough need, there is often a way.

## THE BOTTOM LINE

The value equation-oriented approach to policing in New York City produced dramatic results, far exceeding the expectations of the mayor's office and academic critics of the effort. Over three years, the department achieved a 50 percent reduction in major crimes, far greater and far sooner than that experienced in other parts of the United States, providing some support for the belief that crime can be managed. The accomplishment has become somewhat obscured by the fact that other major cities are now achieving significant reductions in crime as well. What is not as well known is the fact that a number of cities have adopted the practices and measures associated with the NYPD's value equation. Many have actually employed the former commissioner and members of his staff as consultants to help them implement results-oriented, value-driven methods.

In this case, the benefits for citizens are clear: greater safety at affordable costs. Evidence suggests that those citizens in high-crime areas have experienced a greater improvement in safety than those in other precincts. How about other constituencies? The police have received more support for and interest in their work. Larger numbers have been freed up to do the kind of on-the-ground work needed to understand neighborhood challenges and crime sources. The city has benefited in a number of ways, not the least of which are increasing revenues from tourism, rising occupancy of both office and residential space, a higher tax base, and a higher bond rating that has produced lower interest costs on the city's outstanding debt. The mayor obtained a platform on which to run for higher political office. Businesses have found it easier to attract talent to the city. In fact, probably only criminals have found it hard to detect value in the strategy, particularly in view of the fact that a serious effort has been made to increase the quality of arrests, leading to actual jail time in cases of conviction.

Commissioner Bratton's entrepreneurial ideas have changed the face of police work around the world. Other cities have attempted to implement his ideas with varying degrees of success. They have found that social entrepreneurship requires more than groundbreaking ideas. It requires someone with the vision, energy, and perseverance to lead in the implementation. Social entrepreneurs most often understand the needs of clients. Those who are truly successful fashion strategic service visions for each of several important constituencies, including donors, clients, volunteers, and communities, to name just a few.

## INCORPORATING MULTIPLE CONSTITUENCIES IN A STRATEGIC SERVICE VISION

What does this all have to do with a typical not-for-profit in which donors and volunteers assume roles as important constituents? A great deal, if the enthusiasm of not-for-profit managers for these concepts is any indication.

Both the strategic service vision and the value equation are eliciting growing interest among donors. Greater emphasis is being placed on results and indicators of success in achieving them. Of special interest are ways of leveraging results over costs, whether the costs represent operating costs funded by donors or the costs of clients in accessing the service. The number of articles addressing the issue of administrative costs in relation to total grant budgets of nonprofits is an indication of a growing concern with the efficiency and the effectiveness with which grant money is being distributed. Concepts associated with the strategic service vision and value equation address this concern.

*Clients* of nonprofits have equal interest in obtaining results and the process quality by which the results are achieved. Too often they face un dependable, untimely responses to their needs from people whose expertise they question, no matter how empathetic the service worker, whether volunteer or employee. Like the patients at Shouldice Hospital, many would gladly take a participative role in improving both results and process quality associated with the services they receive. They are rarely asked to do so.

*Volunteers* have a special set of needs involving both results and process. Their zeal is often high, perhaps too high. Their expectations for ways in which they might serve may be even higher. They want to be involved in "meaningful" work, too often at times that are convenient to them rather than the organization. Here the management of the strategic service vision and value equation probably means managing expectations, creating more effective screening devices to ensure that the right volunteers are selecting themselves into the organization, and organizing responsibilities for maximum involvement on a continuing basis.

*Communities* too have a myriad of needs that they attempt to satisfy through a handful of highly successful nonprofits in their midst. Here the challenge for the nonprofit is to resist the temptation of trying to “save the world,” instead accepting only those new need-based challenges that fit the service concept of the organization—attempting, like Shouldice, to do one or a very few related things very well. The highest priorities here have to be given to both market focus (serving a narrow range of constituents and needs) as well as operating focus (doing a few things well over and over). Although this may sound less exciting than the typical nonprofit strategy that inspires volunteers and leaders alike, it is the stuff that produces long-term service success and organization viability.

## SATISFYING CONSTITUENCIES WITH CONFLICTING NEEDS

What do you do when important constituencies have conflicting needs? Or when an operating strategy designed to produce maximum value for one constituency clearly reduces the value of the outcome for another?

Satisfying all constituencies simultaneously often is impossible. It's at this point that tough decisions have to be made, decisions based in part on a ranking of the importance of various constituencies. It's better to rank them on a rational basis using factors implied by the strategic service vision.



Frances Hesselbein, when she was executive director of the Girl Scouts of the USA, used to say that every organization needs to understand who its customers are and what they need. At the Girl Scouts, she was fond of saying “The donors are not the customers. Volunteers are not the customers. The customer is each Girl Scout, whom we try to help realize her full potential.” This provided the organization with its mission. Time after time, she used the simplest but most compelling language to remind others in the organization of the fact that it was, under her leadership, “mission-focused, values-based (as described in the Girl Scout Promise and Law), and demographics-driven (to denote an important goal of making sure the transformation of the organization included greater diversity in membership and staff).”<sup>7</sup>

Social entrepreneurs not only make tough choices and communicate them effectively. They also find ways of allocating resources in ways that satisfy several constituencies simultaneously, another way of leveraging results over effort.

For example, out of lack of financing or the need to funnel most funds into the production of immediate results, many nonprofits give too little attention to the systems by which services will be delivered—information systems, physical facilities, locations, and other design features. Too often the service delivery system does not support and complement either the operating strategy or the service concept. Volunteers and staff alike are forced

to wear the “hairshirt” of the nonprofit. Worse yet, clients get the idea that they deserve only secondhand, second-rate support systems. Too often such inadequacy is worn as a badge of honor by staff concerned about becoming too ostentatious in the eyes of their donors, clients, and others.

One of the most successful community-centered nonprofits, the Manchester Craftsmen’s Guild in Pittsburgh, is housed in a facility of world-class design with pleasant spaces surrounding an impressive outdoor fountain. The facility is like an oasis in the middle of what has been a nondescript light industrial area rebuilt after the inner-city riots of 1968. Potential donors as well as staff and at-risk high school students participating in the guild’s programs are served gourmet-style meals prepared in the chef training kitchens of the guild’s sister organization, the Bidwell Training Center, located in the same building. Why the fountain? William Strickland, executive director of both organizations and world-class social entrepreneur, is quick to point out that for people who have rarely experienced excellence in anything, the architecture as well as the food is especially important in creating a culture of excellence and high expectations that program participants will be expected to fulfill while in the program and to take with them when they leave. The architecture, food, and other tangible evidence of excellence are very effective fundraising mechanisms as well. The final reason has to do with the strategic service vision for staff members. Strickland says simply, “We also have a fountain because I wanted a fountain.” Not one donor has complained.

If the fountain and other elements of Manchester Craftsmen’s Guild’s service delivery system were isolated examples, its vision would not be fulfilled. Instead, excellence in the service delivery system at the guild complements high standards, careful measurement, results-based efforts, and a highly targeted set of clients, staff, and donors.<sup>8</sup>

## IMPLICATIONS FOR SOCIAL ENTREPRENEURS

The strategic service vision and value equation frameworks for examining opportunities and converting them to useful results have a number of implications for social entrepreneurs, including the following 10:

1. Successful social institutions are expected and asked to do too many things, with the attendant risk of loss of focus. Thus, the following questions are of special importance: Have you clearly defined the target of your organization’s efforts? Have you dealt with the most difficult question of all: Which clients will we not serve? Often the most important role of a social entrepreneur is that of saying no to such requests.
2. It’s important to target clientele, staff, donors, and other important constituents on the basis of both demographic and psychographic

dimensions. It is not enough to do so on the basis of education or income. Attention also has to be paid to how such constituents think, what they need psychologically, and how they live.

3. By defining an organization's purpose in terms of results produced for important constituencies, as opposed to just products or services, social entrepreneurs build focus into the very definition of the "business."
4. Successful social entrepreneurs understand that an organization's purpose and activities need to be positioned in relation to the needs of important constituencies and the degree to which those needs are already being met by other organizations.
5. Ways of implementing breakthrough entrepreneurial ideas are delineated in terms of operating strategies designed to leverage results for important constituents over the costs (in terms of time, money, and other resources) needed to deliver the results. In this regard, social entrepreneurship often involves asking the question "What will we not do to satisfy a client or other constituent?"
6. Elements of an organization's service delivery system (information systems, facilities, locations, etc.) complement other elements of the strategic service vision and the operating strategy in highly successful strategies.
7. Successful social entrepreneurs ensure that front-line staff have the capability (including support systems, facilities, and decision-making latitude) to deliver the results and the process quality (dependability, timeliness, authority, empathy, and tangible evidence) desired by important constituents.
8. Having ensured that resources are directed to delivering results to targeted constituencies, social entrepreneurs concentrate on issues of process quality, cost, and the ease of access to their organizations' services, ensuring maximum value.
9. What gets measured is what gets managed. Important measures, controls, and sources of recognition reflect an organization's concentration on delivering results for important constituents. Successful social entrepreneurs ensure that these cornerstones for effective performance are in place.
10. Great ideas are not envisioned whole. Social entrepreneurship has a great deal to do with stamina and endurance while the pieces of a strategic service vision are put into place through a process of trial and error.



An old marketing saw tells us that "Customers don't buy quarter-inch drills, they buy quarter-inch holes." The lesson here for profit-making organizations is that if you think you are in the business of delivering quarter-inch drills, you run the risk of being put out of

business by someone who devises a method for making holes more effectively and efficiently. The lesson is just as important for enterprising nonprofit entrepreneurs.

Failure to define the mission of the organization in terms of results for each of its important constituencies can produce a strategy irrelevant to the needs of clients, the most important constituency of all. The leadership of Shouldice Hospital understands this. The former Commissioner of the New York City Police Department understands it. Frances Hesselbein and her associates at the Girl Scouts of the USA understood it. And Bill Strickland and his colleagues at the Manchester Craftsmen's Guild understand it. And in one way or another, those associated with every leading service organization my associates and I have studied over the past 20 years understand it. The challenge for all of us is to act on this understanding.

## SUMMARY

Developing a strategic service vision is just as important for nonprofit organizations as it is for their for-profit counterparts in the private sector. The strategic service vision provides a framework for developing a set of shared "core" values, practices, and measures as part of an overall strategy.

Key points to remember are:

- ✓ Truly successful social entrepreneurs have a strategic service vision.
- ✓ A strategic service vision is a set of ideas and actions that maximizes the leverage of results over efforts directed toward well-defined targets and supported with highly focused operating strategies.
- ✓ Entrepreneurs employing a strategic service vision target their markets very carefully, in both demographic and psychographic terms.
- ✓ People want value. The value equation is used to define value for clients, staff, volunteers, donors, and other stakeholders.
- ✓ There are five key elements of service quality: dependability, timeliness, authority, empathy, and tangible evidence.
- ✓ The strategic service vision and value equation frameworks have a wide range of implications for social entrepreneurs.

## Notes

1. For a more extensive discussion of the concept, see James L. Heskett, "Lessons in the Service Sector," *Harvard Business Review*, March–April 1987, pp. 118–126.
2. James C. Collins and Jerry I. Porras, *Built to Last* (New York: HarperBusiness, 1994), pp. 140–168.
3. For a more complete discussion of the focused factory concept, see C. Wickham Skinner, "The Focused Factory," *Harvard Business Review*, May–June 1974, pp. 113–121.

4. Shouldice Hospital and its strategy is described in some detail in James L. Heskett, *Shouldice Hospital Limited*, case no. 9-683-068 (Boston: HBS Publishing, Inc., 1983).
5. For a more complete description of this situation, see James L. Heskett, *NYPD New*, case no. 9-396-293 (Boston: HBS Publishing, Inc., 1996).
6. The most extensive of this work is reported in Leonard L. Berry, A. Parasuraman, and Valarie A. Zeithaml, "The Service-Quality Puzzle," *Business Horizons*, September-October 1988.
7. See James L. Heskett, *Girl Scouts of the USA (A)*, case no. 9-690-044 (Boston: HBS Publishing, 1989), for a more complete description of what this social entrepreneur was able to achieve.
8. Strategies devised and implemented by Strickland at Manchester Craftsman's Guild are documented in James L. Heskett, *Manchester Craftsman's Guild and Bidwell Training Center*, case no. MCG005 (Boston: HBS Publishing, 2000).

